

AMERICAN CAMPUS COMMUNITIES INC
Form 10-Q
May 09, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2014.

o Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period From _____ to _____

Commission file number 001-32265 (American Campus Communities, Inc.)

Commission file number 333-181102-01 (American Campus Communities Operating Partnership, L.P.)

AMERICAN CAMPUS COMMUNITIES, INC.
AMERICAN CAMPUS COMMUNITIES OPERATING PARTNERSHIP, L.P.
(Exact name of registrant as specified in its charter)

Maryland (American Campus Communities, Inc.)
Maryland (American Campus Communities Operating
Partnership, L.P.)
(State or Other Jurisdiction of
Incorporation or Organization)

76-0753089 (American Campus Communities, Inc.)
56-2473181 (American Campus Communities Operating
Partnership, L.P.)
(IRS Employer Identification No.)

12700 Hill Country Blvd., Suite T-200
Austin, TX
(Address of Principal Executive Offices)

78738
(Zip Code)

(512) 732-1000
Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

American Campus Communities, Inc. Yes x No o
American Campus Communities Operating Partnership, L.P. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

American Campus Communities, Inc. Yes x No o
American Campus Communities Operating Partnership, L.P. Yes x No o

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer”, “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

American Campus Communities,
Inc.

Large accelerated filer x

Accelerated Filer o

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Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

American Campus Communities Operating Partnership, L.P.

Large accelerated filer

Accelerated Filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

American Campus Communities, Inc.

Yes No

American Campus Communities Operating Partnership, L.P.

Yes No

There were 104,907,700 shares of the American Campus Communities, Inc.'s common stock with a par value of \$0.01 per share outstanding as of the close of business on May 3, 2014.

EXPLANATORY NOTE

This report combines the reports on Form 10-Q for the quarterly period ended March 31, 2014 of American Campus Communities, Inc. and American Campus Communities Operating Partnership, L.P. Unless stated otherwise or the context otherwise requires, references to “ACC” mean American Campus Communities, Inc., a Maryland real estate investment trust (“REIT”), and references to “ACCOP” mean American Campus Communities Operating Partnership, L.P., a Maryland limited partnership. References to the “Company,” “we,” “us” or “our” mean collectively ACC, ACCOP and those entities/subsidiaries owned or controlled by ACC and/or ACCOP. References to the “Operating Partnership” mean collectively ACCOP and those entities/subsidiaries owned or controlled by ACCOP. The following chart illustrates the Company’s and the Operating Partnership’s corporate structure:

The general partner of ACCOP is American Campus Communities Holdings, LLC (“ACC Holdings”), an entity that is wholly-owned by ACC. As of March 31, 2014, ACC Holdings held an ownership interest in ACCOP of less than 1%. The limited partners of ACCOP are ACC and other limited partners consisting of current and former members of management and nonaffiliated third parties. As of March 31, 2014, ACC owned an approximate 98.7% limited partnership interest in ACCOP. As the sole member of the general partner of ACCOP, ACC has exclusive control of ACCOP’s day-to-day management. Management operates the Company and the Operating Partnership as one business. The management of ACC consists of the same members as the management of ACCOP. The Company is structured as an umbrella partnership REIT (“UPREIT”) and ACC contributes all net proceeds from its various equity offerings to the Operating Partnership. In return for those contributions, ACC receives a number of units of the Operating Partnership (“OP Units,” see definition below) equal to the number of common shares it has issued in the equity offering. Contributions of properties to the Company can be structured as tax-deferred transactions through the issuance of OP Units in the Operating Partnership. Based on the terms of ACCOP’s partnership agreement, OP Units can be exchanged for ACC’s common shares on a one-for-one basis. The Company maintains a one-for-one relationship between the OP Units of the Operating Partnership issued to ACC and ACC Holdings and the common shares issued to the public. The Company believes that combining the reports on Form 10-Q of ACC and ACCOP into this single report provides the following benefits:

- (1) enhances investors’ understanding of the Company and the Operating Partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
 - (2) eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both the Company and the Operating Partnership; and
 - (3) creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.
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ACC consolidates ACCOP for financial reporting purposes, and ACC essentially has no assets or liabilities other than its investment in ACCOP. Therefore, the assets and liabilities of the Company and the Operating Partnership are the same on their respective financial statements. However, the Company believes it is important to understand the few differences between the Company and the Operating Partnership in the context of how the entities operate as a consolidated company. All of the Company's property ownership, development and related business operations are conducted through the Operating Partnership. ACC also issues public equity from time to time and guarantees certain debt of ACCOP, as disclosed in this report. ACC does not have any indebtedness, as all debt is incurred by the Operating Partnership. The Operating Partnership holds substantially all of the assets of the Company, including the Company's ownership interests in its joint ventures. The Operating Partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for the net proceeds from ACC's equity offerings, which are contributed to the capital of ACCOP in exchange for OP Units on a one-for-one common share per OP Unit basis, the Operating Partnership generates all remaining capital required by the Company's business. These sources include, but are not limited to, the Operating Partnership's working capital, net cash provided by operating activities, borrowings under its credit facility, and proceeds received from the disposition of certain properties. Noncontrolling interests, stockholders' equity, and partners' capital are the main areas of difference between the consolidated financial statements of the Company and those of the Operating Partnership. The noncontrolling interests in the Operating Partnership's financial statements consist of the interests of unaffiliated partners in various consolidated joint ventures. The noncontrolling interests in the Company's financial statements include the same noncontrolling interests at the Operating Partnership level and OP Unit holders of the Operating Partnership. The differences between stockholders' equity and partners' capital result from differences in the equity issued at the Company and Operating Partnership levels.

To help investors understand the significant differences between the Company and the Operating Partnership, this report provides separate consolidated financial statements for the Company and the Operating Partnership. A single set of consolidated notes to such financial statements is presented that includes separate discussions for the Company and the Operating Partnership when applicable (for example, noncontrolling interests, stockholders' equity or partners' capital, earnings per share or unit, etc.). A combined Management's Discussion and Analysis of Financial Condition and Results of Operations section is also included that presents discrete information related to each entity, as applicable. This report also includes separate Part I, Item 4 Controls and Procedures sections and separate Exhibits 31 and 32 certifications for each of the Company and the Operating Partnership in order to establish that the requisite certifications have been made and that the Company and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

In order to highlight the differences between the Company and the Operating Partnership, the separate sections in this report for the Company and the Operating Partnership specifically refer to the Company and the Operating Partnership. In the sections that combine disclosure of the Company and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership is generally the entity that directly or indirectly enters into contracts and joint ventures and holds assets and debt, reference to the Company is appropriate because the Company operates its business through the Operating Partnership. The separate discussions of the Company and the Operating Partnership in this report should be read in conjunction with each other to understand the results of the Company on a consolidated basis and how management operates the Company.

FORM 10-Q
 FOR THE QUARTER ENDED MARCH 31, 2014
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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2014 (Unaudited)	December 31, 2013
Assets		
Investments in real estate:		
Wholly-owned properties, net	\$5,240,032	\$5,199,008
Wholly-owned property held for sale	—	14,408
On-campus participating properties, net	83,710	73,456
Investments in real estate, net	5,323,742	5,286,872
Cash and cash equivalents	31,211	38,751
Restricted cash	36,163	35,451
Student contracts receivable, net	8,004	9,238
Other assets	221,595	227,728
Total assets	\$5,620,715	\$5,598,040
Liabilities and equity		
Liabilities:		
Secured mortgage, construction and bond debt	\$1,432,387	\$1,507,216
Secured agency facility	87,750	87,750
Unsecured notes	398,750	398,721
Unsecured term loans	600,000	600,000
Unsecured revolving credit facility	271,700	150,700
Accounts payable and accrued expenses	49,861	65,088
Other liabilities	113,176	110,036
Total liabilities	2,953,624	2,919,511
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	52,813	47,964
Equity:		
American Campus Communities, Inc. stockholders' equity:		
Common stock, \$.01 par value, 800,000,000 shares authorized, 104,907,700 and 104,782,817 shares issued and outstanding at March 31, 2014 and December 31, 2013, respectively	1,043	1,043
Additional paid in capital	3,011,951	3,017,631
Accumulated earnings and dividends	(401,983	) (392,338
Accumulated other comprehensive loss	(2,428	) (1,435
Total American Campus Communities, Inc. stockholders' equity	2,608,583	2,624,901
Noncontrolling interests - partially owned properties	5,695	5,664
Total equity	2,614,278	2,630,565

Total liabilities and equity	\$5,620,715	\$5,598,040
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See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited, in thousands, except share and per share data)

	Three Months Ended March 31,	
	2014	2013
Revenues		
Wholly-owned properties	\$ 171,950	\$ 152,275
On-campus participating properties	8,188	8,102
Third-party development services	187	479
Third-party management services	1,985	1,709
Resident services	873	597
Total revenues	183,183	163,162
Operating expenses		
Wholly-owned properties	75,808	66,057
On-campus participating properties	2,482	2,504
Third-party development and management services	2,786	2,306
General and administrative	4,374	3,806
Depreciation and amortization	48,175	45,602
Ground/facility leases	1,563	1,203
Total operating expenses	135,188	121,478
Operating income	47,995	41,684
Nonoperating income and (expenses)		
Interest income	1,031	426
Interest expense	(21,090)	) (17,411)
Amortization of deferred financing costs	(1,499)	) (1,311)
Other nonoperating expense	—	) (2,800)
Total nonoperating expenses	(21,558)	) (21,096)
Income before income taxes and discontinued operations	26,437	20,588
Income tax provision	(290)	) (255)
Income from continuing operations	26,147	20,333
Discontinued operations:		
(Loss) income attributable to discontinued operations	(123)	) 2,048
Gain from disposition of real estate	2,843	—
Total discontinued operations	2,720	2,048
Net income	28,867	22,381
Net income attributable to noncontrolling interests		
Redeemable noncontrolling interests	(381)	) (279)
Partially owned properties	(88)	) (512)
Net income attributable to noncontrolling interests	(469)	) (791)
Net income attributable to common shareholders	\$28,398	\$21,590
Other comprehensive (loss) income		
Change in fair value of interest rate swaps	(993)	) 813
Comprehensive income	\$27,405	\$22,403

Income per share attributable to common shareholders - basic and diluted		
Income from continuing operations per share	\$0.24	\$0.18
Net income per share	\$0.27	\$0.20
Weighted-average common shares outstanding		
Basic	104,821,669	104,697,433
Diluted	105,556,833	105,364,769

See accompanying notes to consolidated financial statements.

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AMERICAN CAMPUS COMMUNITIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(unaudited, in thousands, except share data)

	Common Shares	Par Value of Common Shares	Additional Paid in Capital	Accumulated Earnings and Dividends	Accumulated Other Comprehensive Loss	Noncontrolling Interests – Partially Owned Properties	Total
Equity, December 31, 2013	104,782,817	\$1,043	\$3,017,631	\$ (392,338)	\$ (1,435)	\$ 5,664	\$2,630,565
Adjustments to reflect redeemable noncontrolling interests at fair value	—	—	(4,955)	—	—	—	(4,955)
Amortization of restricted stock awards	—	—	1,864	—	—	—	1,864
Vesting of restricted stock awards and restricted stock units	124,883	—	(2,589)	—	—	—	(2,589)
Distributions to common and restricted stockholders	—	—	—	(38,043)	—	—	(38,043)
Distributions to noncontrolling interests - partially owned properties	—	—	—	—	—	(57)	(57)
Change in fair value of interest rate swaps	—	—	—	—	(993)	—	(993)